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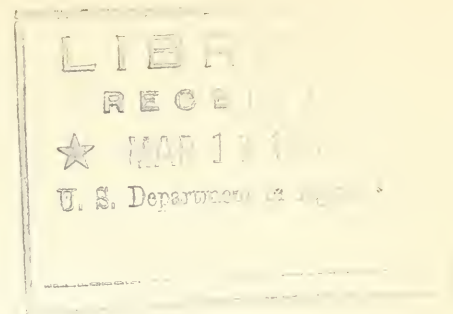
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Discussion Group Topic No. 3

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WHAT SHARE OF THE NATIONAL INCOME  
SHOULD FARMERS HAVE?

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This material has been prepared to supply assistance for discussion groups. It is not intended to direct attention to any particular point of view. Neither is it presumed to be a complete or even an orderly presentation of the discussion possibilities of the topic. Its purpose is to stimulate discussion. It is intended to assist in creating opportunities for discussion in the belief that through intense discussion people may find ways of thinking through for themselves vital questions which require democratic decision.

The attention of discussion leaders and others is called particularly to the availability of "Discussion: A Brief Guide to Methods." This contains practical suggestions and information.

Copies of "Discussion: A Brief Guide to Methods," and copies of this and other group discussion topics can be obtained from the Department of Agriculture, Room 202, Washington, D. C., or by writing to the state agricultural college of your state.

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February, 1935

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Topic: WHAT SHARE OF THE NATIONAL INCOME  
SHOULD FARMERS HAVE?

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Farmers exchange their own products for the products of factories, shops and mines. When farm prices are low in relation to other prices, then farm income and buying power decline. Many people have sought to work out formulas in regard to the share of the national income which farmers should have.

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1. WILL "PARITY PRICES" YIELD A FAIR SHARE OF THE NATIONAL INCOME TO FARMERS?
2. SHOULD FARMERS WORK TO RESTORE THE RATIO OF NATIONAL INCOME ("PARITY") THEY HAD DURING THE PRE-WAR PERIOD? OR WORK FOR A STILL LARGER SHARE OF THE NATIONAL INCOME?
3. WOULD FARMERS AS A GROUP BE BENEFITED GENERALLY BY MORE FLEXIBLE INDUSTRIAL PRICES?
4. DO FARMERS WANT BOTH FIXED FARM PRICES AND FIXED INDUSTRIAL PRICES?
5. WHAT METHODS SHOULD FARMERS USE TO SECURE A "FAIR SHARE" OF THE NATIONAL INCOME?
6. HOW MUCH CAN BE DONE BY VOLUNTARY EFFORTS? WHAT SHOULD BE THE FUNCTION OF THE GOVERNMENT?



## SOME PROS AND CONS

### I.

"Restore to farmers the share of the national income which they have usually had in the past. For example, in 1900, when about 36 percent of the working people of the nation lived on farms, the farm share of the national income was about 21 percent of the national income. In 1910 the percent of gainfully employed in agriculture was 32.5 and agriculture's share of the national income was 18.6 percent. In 1920 these percentages were 25.6 and 16.8. Today, when slightly less than 25 percent of our people are on farms, they should have at least 13 or 14 percent of the national income,-- not around 10 percent, their recently estimated share for the year 1934. This means that if the total national income increases farm income should increase more rapidly than other incomes."

### II.

"The past should not dictate for the present or the future. Past conditions have been unfair to farmers. Farmers are being forced to tax themselves heavily in order to provide schooling for some children who will be turned over to the cities. The cities now generally pay nothing for the education of those children. Future population relationships between farm and city may put upon agriculture even heavier burdens. Let's get away from the ratio of the past and think in terms of the future, on a new basis."

### III.

"Let 'natural forces' operate and things will work out in the end. We have too much interference with natural forces already. Competition, shifts in population, and in cropping systems, all tend to maintain balance. You get the most lasting solution when you don't try to plan things. If farm income swings too low for a period, don't worry about it. It will swing back again, and farmers will be better satisfied."





IV.

"The government must fix both farm prices and non-farm prices, in order to assure a fair share of the national income for farmers. As things are now, farm prices are elastic; they bounce up and down. Industrial prices are comparatively inelastic. Prices paid farmers sink low; most prices farmers have to pay stay high. Because industry won't produce unless prices are satisfactory, something must be done to make farm prices rigid and high enough to get a fair share of the national income. Only the government can tackle a job as big as this."

V.

"Guarantee farmers the cost of production, plus a fair profit, and all these questions about the share of the national income that should go to farmers will take care of themselves. The farmer given cost of production prices, will have removed his chief incentive for excessive production. Farm income will thus be increased, farm purchasing power boosted and an outlet provided for the products of city factories, shops, labor and capital. The 'other fellow' always has had cost of production--why shouldn't the farmer?"

VI.

"Price-raising devices in behalf of farmers have very definite limitations. They may prove to be a boomerang. The prosperity of farmers--and their share of the national income--depends on the purchasing power of the consumer of farm products. Agriculture must concern itself with the level of urban purchasing power and employment. Beyond a certain point, it is not possible to offset declining sales by higher prices. It is a mistake to consider the surplus problem solved merely by the elimination of tangible surpluses. From the standpoint of society as a whole, surpluses of labor and capital are just as troublesome as surpluses of goods. They may be more troublesome, for idle labor must be maintained at public expense and idle capital tends to be dissipated and lost. In the long run, it is neither legitimate nor efficient to establish a balance resting on scarcity. Such a balance cannot be maintained. The resulting high prices break the situation down by reducing consumption and at the same time fostering production. The only balance that can be maintained is balanced abundance."



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In the section entitled, The Unbalanced Factors, he enumerates 5 causes of the depression including the unbalanced prices. He says, "There have been violent breaks in prices for raw materials and farm products, whereas finished manufactures have fallen much more moderately. The result is such a curtailment of the buying power of agricultural and raw material producers that they cannot buy their share, even of the sharply reduced manufacturing output, at prevailing prices."

In the section entitled, Wages and Buying Power he gives figures for farm wages and includes a table showing Indices of money wages





and real wages in the United States, for all industrial, railroad, and agricultural wages, Dec. 1928 to Mar. 1931.

Black, J. D.

- Agricultural Reform in the United States. 511 pp. New York, McGraw-Hill Book Co., Inc., 1929. \$4.00

Chapter II, The place of agriculture in the national economy, discusses the rural-urban balance in the United States; The rural-urban balance abroad; Agricultural policy; and, Objectives.

Donham, W. B.

- Business Looks at the Unforeseen. 209 pp. New York, McGraw-Hill Book Co., Inc., 1932. \$2.50

In his chapter entitled, Social Evolution and Economic Planning; The Philosophic Basis of Planning, Mr. Donham says, "Waiting for the simple economic forces of supply and demand to restore equilibrium means readjusting wages and prices of manufactured products to substantially the present level of prices of raw materials and agricultural products. Such continued deflation will make intolerable the burden of debts and fixed money obligations in general; and if these obligations are to be scaled down to correspond with the new level of prices, we shall have such a holocaust of bankruptcies and receiverships and bank and insurance company failures as will destroy our progress for a generation and confront our democracy with far graver social problems than it has ever before faced. If we embark on this economic philosophy, we should do it consciously after consideration of the forced redistribution of wealth that it carries with it...

"The broad truth is that our American society has developed to a point where it is very dangerous to rely on the simple forces contemplated by much of nineteenth century economic theory to restore economic equilibrium in conditions like the present." - pp.43-44.

In his chapter entitled, The Lost Customers of American Business, a section is devoted to The Farmers.- pp.136-164. He emphasizes the need of the business men helping in the solution of the farm problem, the need of parity between domestic crop prices and industrial prices, the value of business property devoted to agriculture, says that any solution of the farm problem should raise farm prices, etc. "The farmer should be as much interested in the prosperity of industry as industry should be in the rehabilitation of the farmer. The present tension between the two



groups should disappear through constructive remedies supported by both." To quote further, "It should be realized fully by our industrial leaders as well as by our farmers, that until the readjustment of farm conditions is accomplished, we shall either be oppressed by the weight of over a fifth of our population living at a subsistence level in practical bankruptcy, or through tariff tinkering we shall reduce the standards of living of our industrial communities to something like an equal level. Farmers at a subsistence level cease to be customers for anything but sheer necessities, and our mass production industries are an essential part of our economic framework. Their prosperity depends on high economic standards of living widely distributed over our population."

The book also has a chapter entitled, Government and Business Must Cooperate - Central Thinking. - pp.59-64.

Engberg, R. C.

- Industrial Prosperity and the Farmer. 286 pp.  
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"In this volume Mr. Engberg, who possesses a thorough knowledge of the technical phases of farm organization and management has assembled the data necessary to test, both analytically and statistically, the effects of industrial changes upon agriculture. He examines the effects of industrial prosperity and depression upon the demand for and price of farm products, and upon the farmer's operating costs. The analysis establishes certain definite conclusions with reference to a phase of agricultural organization and farm management which has heretofore been merely a subject of speculation." - Director's preface.

The author asks and discusses the answers to the three questions which follow: (1) to what extent are business cycles responsible for the farmer's financial difficulties (2) is it worth while for farmers to attempt to adjust their production policies to changes in demand or costs predicted on business forecasts and (3) are the remedies suggested for business cycles likely to prove effective in stabilizing agricultural production and prices?

Special chapters are devoted to cotton, the corn hog industry, and wheat.





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